

TRANSITION RULE FOR MOVING EXPENSES

DECEMBER 14, 1970.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BURKE of Massachusetts, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 17917]

The Committee on Ways and Means, to whom was referred the bill (H.R. 17917) to amend the Tax Reform Act of 1969, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert:

That section 231(d)(2) of the Tax Reform Act of 1969 is amended by striking out "before July 1, 1970," and inserting in lieu thereof "on or before December 31, 1970,".

I. SUMMARY

The Tax Reform Act of 1969 limited the deductibility of moving expenses to cases generally where an individual's place of employment was 50 miles or more farther from his old residence than was his prior place of employment. The prior rule had allowed limited deductions where a 20-mile test was met rather than the 50-mile test. However, a special transition rule allowed taxpayers to elect the old moving expense deduction rule where the employees had been notified by their employer of a move on or before December 19, 1969, and the amounts were paid or incurred for the moving expenses before July 1, 1970. This bill retains this transition rule but modifies it to cover cases where the deduction for moving expenses relates to amounts paid or incurred before January 1, 1971 (again so long as the employees were notified by the employer of the move on or before December 19, 1969).

II. GENERAL STATEMENT

The Tax Reform Act of 1969 (sec. 231) modified the rules with respect to the deduction of job-related moving expenses to allow deductions for certain additional categories of moving expenses, to require that reimbursements for moving expenses be included in

gross income, to provide that the employee's new place of employment must be 50 miles (instead of 20 miles as under prior law) farther from his old residence than was his prior place of employment, to extend the moving expense deduction to self-employed persons, and to modify certain other rules. Generally, the new rules were more liberal in allowing deductions than the prior rules. This was not true, however, in the case of the requirement as to the distance moved. In this case, the new place of employment must be at least 50 miles, instead of 20 miles, farther from the prior residence than the former place of employment. Because of the fact that this was a more strict rule, the act provided that the taxpayer could elect to have the old rules apply for amounts paid or incurred before July 1, 1970, if the taxpayer had been notified by his employer of a move on or before December 19, 1969.

It appears that some employees who were notified of a pending move on or before December 19, 1969, were not able, because of extenuating circumstances (for example, where the jobs were not available soon enough at the new location) to complete their moves before the July 1, 1970, cutoff date. As a result, they could not qualify under the old rules which were in effect when their notice of transfer or move was given. Where the job location move was in the 20-mile to 50-mile range, this had the effect of denying these persons moving expense deductions where they would have been available under prior law. Your committee, therefore, considered it to be equitable to extend the cutoff date for the transition rule in the Tax Reform Act of 1969.

For the reasons given above, your committee's bill extends the cutoff date in the transition rule in the 1969 act from "before July 1, 1970" to "on or before December 31, 1970." This will enable taxpayers to elect to have moving expenses paid or incurred in this additional 6-month period treated under the old moving expense rules. This is to apply (as under present law), however, only where an employee had been notified by his employer of the move on or before December 19, 1969.

III. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

SECTION 231 OF THE TAX REFORM ACT OF 1969

SEC. 231. MOVING EXPENSES.

* * * * *

(d) **EFFECTIVE DATES.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that—

(1) section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or

other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income; and

(2) the amendments made by this section shall not apply (at the election of the taxpayer made at such time and manner as the Secretary of the Treasury or his delegate prescribes) with respect to moving expenses paid or incurred [before July 1, 1970,] *on or before December 31, 1970*, in connection with the commencement of work by the taxpayer as an employee at a new principal place of work of which the taxpayer had been notified by his employer on or before December 19, 1969.

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